

Message Text

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SUBJECT: \$260 MILLION BALANCE OF PAYMENTS LOAN TO PERU

SUMMARY - PERU CLOSE TO GETTING \$260 MILLION BALPA LOAN,
FROM SINGLE MULTI-NATIONAL CONSORTIUM OF BANKS, HEADED BY
MANUFACTURERS HANOVER. WILL RECEIVE ROUGHLY A QUARTER OF
TOTAL ON SIGNATURE OF LOAN AGREEMENT AND REST IN EQUAL
INSTALLMENTS AS PERU QUALIFIES FOR QUARTERLY DRAW-DOWNS
UNDER IMF STANDBY. LOAN WILL COVER MATURING OBLIGATIONS
DUE THIS YEAR TO PARTICIPATING BANKS, WITH SIGNIFICANT NEW
MONEY (OVER AND ABOVE MONEY OWED) FROM SWISS AND GERMAN
BANKS. SOVIET ROLL-OVER OF \$80 MILLION REPORTEDLY BEING
NEGOTIATED. U.S. BANKING SOURCE HOWEVER FORESEES TIGHT
SITUATION TOWARDS END OF YEAR AND ;XPECTS GOP WILL BE
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ATTEMPTING TO RENEGOTIATE SOME NON-COMMERCIAL BANK DEBT
ON CASE-BY-CASE BASIS. END SUMMARY

1. IN PRESS CONFERENCE NEW YORK FEBRUARY 15, ALVARO
MENESES, SPOKESMAN (AND LEADER) OF SIX-MAN PERUVIAN BANK
TEAM, ANNOUNCED THAT MEETINGS WITH U.S. AND FOREIGN BANKERS
IN NEW YORK HAD PRODUCED /CLEAR UNDERSTANDING, WILLINGNESS

AND A DECISION TO MAKE A LOAN TO PERU FOR SUPPORT OF ITS BALANCE OF PAYMENTS". AMOUNT EXPECTED IS \$260 REPEAT \$260 MILLION. ACCORDING TO NEW YORK BANKING SOURCE, LETTER OF INTENT MAY SHORTLY BE ISSUED BUT CONTRARY TO PRESS STORIES, LOAN WILL PROBABLY NOT BE FINALIZED "IN NEXT TEN DAYS".

2. NO MENTION MADE IN PRESS OF LINKAGE OF BALPA LOAN TO PERUVIAN QUALIFICATION FOR SECOND DRAWDOWN UNDER IMF STANDBY ARRANGEMENT. BANKING SOURCE INDICATED THAT LINKAGE DOES EXIST. ON SIGNATURE OF LOAN AGREEMENT, ROUGHLY A QUARTER OF TOTAL AMOUNT WILL BE PAID TO PERU, WITH REMAINDER BEING PAID IN EQUAL INSTALLMENTS OVER PERIOD OF STANDBY (THROUGH 1979) AS PERU QUALIFIES FOR QUARTERLY DRAWDOWNS FROM STANDBY.

3. PERUVIANS WOULD LIKE SEVEN-YEAR TERM, INCLUDING 3 YEARS GRACE. BANKING SOURCE SAID THAT UP TO 7 YEARS WAS POSSIBLE, THOUGH GRACE MIGHT BE A LITTLE LESS THAN 3 YEARS. LATTER APPEARS NECESSARY IN VIEW OF BUNCHING OF MATURITIES IN PERIOD 1978-80. IN PRESS CONFERENCE MENESES PUT DEBT SERVICE REQUIREMENT FOR THOSE YEARS AT \$924 MILLION IN 1978 AND MORE THAN \$1.1 BILLION IN BOTH 1979 AND 1980. INTEREST ON BALPA LOAN NOT YET NEGOTIATED.

4. IN CONTRAST WITH BALPA LOANS IN 1976 AMOUNTING TO \$370 MILLION BY FOUR DIFFERENT SYNDICATES, LOAN THIS YEAR LIMITED OFFICIAL USE

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WILL BE SINGLE MULTINATIONAL OPERATION, INVOLVING ABOUT 90 BANKS (50 U.S.) ENTERING A SINGLE CONTRACT. OVERALL AGENT WILL BE MANUFACTURERS HANOVER. INTERNATIONAL STEERING COMMITTEE WILL CONSIST OF IT PLUS CITIBANK AND WELLS FARGO FOR U.S. BANKS; DRESDBERGER OF WEST GERMANY FOR EUROPEAN BANKS (INCLUDING SWISSBANK, CREDIT LYONNAIS, LLOYDS AND OTHERS); NOVA SCOTIA FOR CANADIAN BANKS; AND BANK OF TOKYO FOR JAPANESE BANKS. U.S. STEERING COMMITTEE EXPANDED FROM DIMENSIONS OF 1976; NOW INCLUDES, BESIDES THE AFOREMENTIONED U.S. BANKS, CHASE, MORGAN GUARANTY, BANKERS TRUST, CHEMICAL, CROCKER, FIRST CHICAGO, BANK OF AMERICA, AND SECURITY PACIFIC.

5. U.S. SHARE OF \$260 MILLION TOTAL WILL BE \$150 MILLION. MANUFACTURERS HANOVER HAS ACCEPTED POSITION OF OVERALL AGENT ON CONDITION ALL U.S. LEAD BANKS AND REGIONAL BANKS COMMIT FUNDS TO U.S. TOTAL AMOUNTING TO AT LEAST SUM OF OBLIGATIONS MATURING THIS YEAR.

6. GERMAN AND SWISS BANKS WILL BE ONLY ONES IN INTERNATIONAL SYNDICATE EXTENDING PERU SIGNIFICANT NEW MONEY OVER AND ABOVE WHAT IS OWED THEM THIS YEAR. THEY WILL BE DOING

SO ON CONDITION THAT THE U.S. LEAD BANKS MAKEUP ON THEIR OWN ANY DEFICIENCIES FROM THE \$150 MILLION TOTAL WHICH REGIONAL BANKS WITH EXPOSURE IN PERU ARE UNWILLING TO CHIP IN AS THEIR SHARE OF U.S. TOTAL. U.S. LEAD BANKS NOW IN PROCESS OF ORGANIZING REGIONAL BANK CONTRIBUTIONS TO MAKE UP \$150 MILLION TOTAL. LEAD BANK SOURCE SAID JOB WILL NOT BE EASY.

7. BREAKDOWN AMONG OTHER COUNTRIES OF \$260 MILLION HAD BEEN GIVEN US EARLIER (WHEN TOTAL UNDER CONSIDERATION WAS \$250 MILLION) AS \$70 MILLION FROM EUROPEAN BANKS, \$15 MILLION FROM CANADIAN AND \$15 MILLION FROM JAPANESE. SHARE OF LATTER TWO IN \$260 MILLION LOAN WILL RESULT IN SIGNIFICANT DECREASE IN THEIR RESPECTIVE EXPOSURE. JAPANESE LIMITED OFFICIAL USE

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PARTICIPATION CONTINGENT ON U.S. BANKS' FULLY ORGANIZING THEIR \$150 MILLION SHARE.

8. MENESES CLAIMED IN PRESS CONFERENCE THAT SOVIET UNION HAS JUST PROVIDED REFINANCING OF OBLIGATIONS DUE IT. U.S. BANKING SOURCE GAVE FOLLOWING INFORMATION - THAT IN 1978, \$98 MILLION IN PRINCIPAL DUE SOCIALIST COUNTRIES, OF WHICH \$80 MILLION DUE USSR. THIS PLUS \$120 MILLION DUE USSR IN 1979 AND 1980 IS ALL BEING ROLLED OVER. PERU WANTS 10-YEAR PAY-BACK PERIOD. DETAILS OF REFINANCING NOT YET CONCLUDED. PERU WILL CONTINUE TO PAY USSR INTEREST.

9. PERUVIAN ECONOMIC COUNSELOR VEGA LATER ADVISED US THAT TOTAL DEBT (PRINCIPAL AND INTEREST) TO USSR IN 1978 WAS \$97 MILLION, OF WHICH \$80 MILLION MILITARY. PERU HAD NOT PAID ANYTHING YET - NOT EVEN INTEREST, AS PREVIOUSLY REPORTED. ROLL-OVER HAS BEEN NEGOTIATED - "PRATICAMENTE". \$17 MILLION MIGHT BE PAID (EQUIVALENT OF INTEREST) BUT IN FORM OF GOODS - FOR EXAMPLE, IN PERUVIAN SHOES, NOW IN EXCESS PRODUCTION.

10. U.S. BANKING SOURCE CHARACTERIZED IMMINENT BALPA LOAN AS HELPFUL BUT POSSIBLY ONLY A "BAND AID" TO STAUNCH PROJECTED OUTFLOW OF FUNDS. FURTHER LOAN MAY BE REQUIRED TOWARDS END OF YEAR. ONLY ABOUT HALF OF MATURING OBLIGATIONS THIS YEAR ARE DUE TO COMMERCIAL BANKS. BANKING SOURCE EXPECTS THAT GOP WILL BE SEEKING TO RENEGOTIATE SOME FOREIGN-GOVERNMENT OBLIGATIONS ON CASE-BY-CASE BASIS (ESCHEWING FORMAL PARIS-CLUB DEBT RESCHEDULING EXERCISE).

11. VEGA SOMEWHAT MORE SANGUINE. PUTTING TOTAL OBLIGATIONS DUE THIS YEAR AT \$1 BILLION, HE SAID \$260 MILLION WOULD BE DISCHARGED THROUGH BALPA LOAN (HOW IF PAID OUT LIMITED OFFICIAL USE

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IN INSTALLMENTS?), \$80 MILLION IN SOVIET REFINANCING, AND
REMAINING \$660 MILLION IN EARNINGS FROM EXPORTS. VANCE

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